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Pension Reform is a Democratic Priority

Senate Democrats will make pension reform one of our top priorities, introducing the *Retirement Security Act* as one of the first ten Democratic bills in the 105th Congress. The bill will build on proposals Senate Democrats previously offered in last year's Families First Agenda, some of which became law in the minimum wage bill Congress passed last year.

Democrats want to help Americans prepare for a secure retirement. Promoting retirement security requires action on a number of fronts. We need to:

- protect existing pensions;
- increase access to pensions for those not covered;
- improve pension portability so that workers can change jobs without losing some or all of their pensions; and,
- narrow the pension gap between men and women.

The *Retirement Security Act* will address all of these areas.

Expanding Pension Coverage

After growing rapidly in the decades after World War II, private pension coverage has leveled off. In 1993, 50 percent of full-time, private sector workers participated in an employer-sponsored pension plan, the same level as in 1979. Now, 51 million workers are not covered by a plan.

The Democratic bill will include a variety of proposals to address this problem. Last year, Congress passed a version of the Democratic plan to create a new, simplified pension plan for small businesses. Seventy-six percent of workers in large companies have pension plans, but for small firms, the figure is only 24 percent. A simple plan was designed to allow small companies to offer pension plans without cumbersome administrative responsibilities and expenses.

Democratic Policy Committee
United States Senate
Washington, D.C., 20510-7050

Tom Daschle, Chairman
Harry Reid, Co-Chairman



The *Retirement Security Act* will include a variety of other simplification proposals to encourage employers to offer new plans. The bill also will include measures designed to encourage worker participation in pension plans as well.

Too many workers, particularly lower-paid workers who cannot easily afford to defer income, do not participate in pension plans even if one is available to them. Democrats want to expand both access to pension coverage and actual participation in pension plans.

Pension Portability

Today, few people will spend their entire careers working in one job, or even for one employer. But changing jobs can mean losing pension benefits entirely or seeing significantly smaller benefits upon retirement. Portable pension plans are critical to today's workforce. The minimum wage bill included several measures to improve pension portability and Democrats intend to do more. The *Retirement Security Act* would promote portability by helping foster opportunities for individuals to save for their own retirement. People would have retirement funds that are not linked to any one job.

Protecting Pension Security

Even workers with pension coverage can be caught by surprise and find themselves with few or no benefits. Too often, this happens because of abuses by their employer or by plan trustees.

- In the past, corporations that buy a company were able to raid its pension plans.
- A few companies have folded after investing employee funds in company stock that later lost much of its value.

Today, there are \$950 billion dollars in retirement assets that are not adequately audited to protect workers' retirement.

Safeguards have been developed in response to past abuses—many plans are protected against these risks and the Pension Benefit Guaranty Corporation (PBGC) insures many benefit plans. Nevertheless, there are gaps in existing protections. In particular, 401(k) plans have grown dramatically in recent years but they are not insured by the PBGC and are not subject to many of the safeguards provided traditional pension plans.

Democrats want to make sure that workers get the benefits which they are working hard to earn (often deferring current pay) and counting on to finance a comfortable retirement. The *Retirement Security Act* will include a number of miscellaneous provisions designed to provide additional protections and strengthen the enforcement of existing law.

Women and Pensions

For a wide variety of reasons, fewer women than men are covered by private pension plans. Women are more likely to interrupt their careers to raise children and, on average, have shorter tenure in their jobs. Women workers also are more likely to work in the sectors of the economy where pension coverage is less common. As a result, fewer than one-third of female retirees receive pension benefits, compared to 55 percent of male retirees.

The pension gap between men and women has been narrowing slowly. Much of the gap results from demographic factors that are not readily changed through pension reforms. For the most part, pension coverage for women is best broadened through measures to improve overall pension, access, coverage, and portability. The *Retirement Security Act* will include provisions in these areas that will help the pension coverage gap between men and women continue to shrink.

However, there are additional steps that can be taken to help women obtain and keep pensions. For example, people often lose pensions because of a divorce or a spouse's death. In addition, taxpayers often see their ability to take IRA deductions limited or eliminated because of a spouse's income or coverage by an employer plan. In both cases, demographic factors make women more likely to be affected than men. Congress passed several measures to address these type of problems in the minimum wage bill and the *Retirement Security Act* will include additional steps.